

## USAID Trade Project

# Gap Analysis of Policy & Legal Framework of the Cross Border Transport of Persons, Vehicles, and Goods Agreement (CBTA) for Pakistan

### USAID Trade Project

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## List of Acronyms and Initialisms

Acronym	Definition
APTTA	Afghanistan-Pakistan Transit Trade Agreement
ASYCUDA	Automated System for Customs Data
ATF	Agreement on Trade Facilitation
ATP	Accord relatif aux transports internationaux de denrées périssables et aux engins spéciaux à utiliser pour ces transports
BCP	Border Crossing Point
CAREC	Central Asia Regional Economic Cooperation
CAR	Central Asian Republic
CBTA	Cross Border Transport of Persons, Vehicles, and Goods Agreement
CC&I	Chamber of Commerce & Industry
CIS	Commonwealth Independent States
CMR	International Carriage of Goods by Road
ECO-TTFA	Economic Cooperation Organization Transit Transport Framework Agreement
EDI	Electronic Data Interchange
FBR	Federal Board of Revenue
GATT	General Agreement on Tariff and Trade
GoP	Government of Pakistan
IGAH	Intergovernmental Agreement on the Asian Highway Network
IMF	International Monetary Fund
IPPC	International Plant Protection Convention
IRU	International Road Transport Union
ISPMs	International Standards for Phyto-sanitary Measures
LSPRA	Logistics Service Providers Regulatory Authority
MoC	Ministry of Commerce
NTTFC	National Transport and Trade Facilitation Committee
NPPO	National Plant Protection Organization
NSW	National Single Window
PaCCS	Pakistan Automated Customs Clearance System
PIFFA	Pakistan's International Freight Forwarder Association
PRAL	Pakistan Revenue Automation Limited
QTTA	Quadrilateral Traffic In Transit Agreement
RMS	Risk Management System
RKC	Revised Kyoto Convention
SECP	Security and Exchange Commission of Pakistan
SPS	Sanitary and Phyto-Sanitary
SDR	Special Drawing Rights
SW	Single Window
TAD	Temporary Admission Document
UAIS	Unified Automate Information System

TIR	Transports Internationaux Routiers or International Road Transports
UNLK	United Nations Layout Key
USAID	United States Agency for International Development
USD	United States Dollars
WB	World Bank
WCO	World Customs Organization
WeBOC	Web-Based One Customs
WTO	World Trade Organization

## **Executive Summary**

The Government of Pakistan is pursuing the policy objective of leveraging Pakistan's strategic location as a hub for regional trade with Central Asia. Historically, the present territory of Pakistan served as a link between South Asia and Central Asia with the Silk Route functioning as a major artery of international trade, linking the East with the West.

In order for Pakistan to effectively leverage its strategic position there is a need to develop necessary infrastructure and the regulatory framework to link it with the Central Asian Republics (CARs). In this regard, the Cross Border Transport of Persons, Vehicles and Goods Agreement (CBTA) is an important platform and could facilitate Pakistan's access to Central Asia through the Central Asia Regional Economic Cooperation (CAREC) Corridor 5.

The CBTA is a transit facilitation agreement among Kyrgyzstan, Tajikistan, and Afghanistan. Pakistan has joined the CBTA as an observer and the Ministry of Commerce (MoC) is in the process of developing stakeholder consensus for its accession. Accession to the CBTA will provide an opportunity for Pakistan to reach beyond Central Asia through the territories of Kyrgyzstan, Tajikistan and Afghanistan. In return, Pakistan will be providing the shortest distance for international maritime trade to these landlocked countries through its seaports.

The CBTA requires the contracting parties to accede to a number of international conventions to facilitate traffic in transit. The Agreement uses International Transport of Goods (TIR) Carnets as security to protect transit countries' customs revenues. TIR Contracting Parties also have access to a web-based system for real time monitoring of transit consignments, which provides assurances to the law enforcement and revenue collecting agencies. It is important for Pakistan to accede to the TIR Convention as CBTA does not recognize any other mode of security for traffic and transit.

The Agreement contains elaborate provisions to help Contracting Parties to reduce transit cost. The agreement exempts the transit consignments from all duties and taxes and limits customs controls en-route. The Agreement encourages the Contracting Parties to mutually assist the customs authorities to exchange information, coordinate activities and to cooperate against customs fraud. The implementation of these trade facilitation measures is expedited by accession to the TIR Convention.

The Agreement requires Contracting Parties to exempt transit consignments from routine customs inspections and customs escorts. The Agreement also limits the customs controls to facilitating traffic in transit. The successful implementation of the Agreement would, therefore, require the Contracting Parties to develop a robust risk-based management system, a requirement under the recently concluded World Trade Organization (WTO) Agreement on Trade Facilitation (ATF) as well, to facilitate trade and transit through the territories of the Contracting Parties.

The CBTA also mandates the Contracting Parties to facilitate border crossing formalities through Single Stops or Joint Border Posts where transit consignments at the land border stations are subjected to a one-time customs and border control formality. A 'Single Stop' border control facility is a major trade facilitation measure that would reduce transaction costs and save time in completing the trade and transit formalities.

## Introduction

The Cross Border Transport of Persons, Vehicles, and Goods (CBTA) is a tripartite transit facilitation Agreement involving Kyrgyzstan, Tajikistan, and Afghanistan. The Agreement was signed under the Central Asia Regional Economic Cooperation (CAREC) framework on December 2, 2010, in Dushanbe between Kyrgyzstan and Tajikistan. Subsequently, Afghanistan through a protocol on accession, joined CBTA during the 10<sup>th</sup> CAREC Ministerial Conference held in November 2011 in Baku, Azerbaijan.

The Government of Pakistan (GoP) has joined CBTA as an observer and is currently in the process of developing stakeholder consensus on formally acceding to the Agreement. Pakistan's accession to the Agreement is dependent on consent from the other Contracting Parties. Pakistan would be required to designate transit corridors through its territory to facilitate the movement of persons, vehicles, and goods and provide access for the landlocked member states to its seaports. In return, Pakistan would obtain rights of transit through the territories of the other Contracting Parties which would improve Pakistan's access to Central Asia and beyond.

Pakistan's accession to CBTA would also provide the landlocked CARs with connectivity to the ports of Pakistan, which would present the CARs with an immense opportunity to improve their trade competitiveness. Similarly opening a secure, efficient and reliable trading route with CAREC Corridor 5 countries would place Pakistan in a pivotal position as a strategic hub for regional transit trade, and would ultimately serve as a catalyst for economic growth in the region.

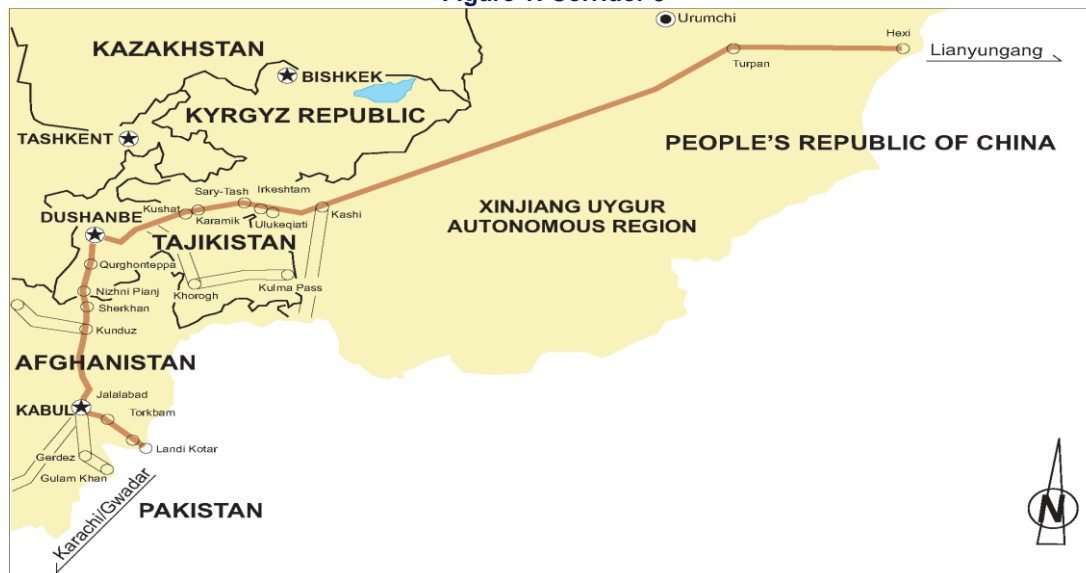
This report provides the GoP with an analysis of the CBTA provisions, and identifies gaps that need to be addressed in the event Pakistan accedes to the Agreement. The report highlights the salient features of the CBTA Agreement – designated Border Crossing Points (BCPs), security provisions, trade facilitation, institutional arrangements – and includes a detailed analysis of the key provisions of the Agreement, describing the present situation with respect to policy and implementation and recommending possible solutions to address any shortcomings.

## CBTA-Designated Border Crossing Points<sup>1</sup>

The CBTA covers the CAREC Corridor 5 road route connecting Pakistan and China through Afghanistan, Tajikistan and Kyrgyzstan.

1. Torkham (Afghanistan/Pakistan)
2. Sher Khan Bandar (Afghanistan/Tajikistan)
3. Karamik (Tajikistan/Kyrgyzstan)
4. Irkeshtam (Kyrgyzstan/ China border)

**Figure 1: Corridor 5**



## Security Provisions

The CBTA Agreement uses three separate international conventions for the transit of goods, motor vehicles, and containers, respectively. For the transit of goods, the Agreement requires the Contracting Parties to implement the Customs Convention on the International Transport of Goods (TIR Convention). The transit of vehicles is allowed under the Customs Convention on the Temporary Importation of Commercial Road Vehicles. The temporary entry of containers is permissible under the Customs Convention on Containers. For the transit of goods, the TIR Convention has been made mandatory; however, the language of the Agreement does not bind the Contracting Parties to apply the Convention on Commercial Road Vehicles or the Convention on Containers. If a Contracting Party is not a member of these international Conventions, the CBTA Agreement does not provide an alternative for the facilitation of traffic and transit. Pakistan has not acceded to any of these three Conventions.

A detailed examination of the position of the Contracting Parties on the international Conventions required by the Agreement is provided later in this report.

## Trade Facilitation

The Agreement contains provisions for the facilitation of traffic in transit. Some of the important trade facilitation measures in the Agreement are:

- Exemption from duties and taxes for all traffic in transit, including goods, containers, transport units, and personal effects
- Recognition of international driving licenses issued by the Contracting Parties

<sup>1</sup>The ADB proposed a new CAREC corridor-5 extension map in its report on "CAREC Transport and Trade facilitation Strategy 2020" published in 2014. <http://www.adb.org/documents/carec-transport-and-trade-facilitation-strategy-2020>

- Multiple entry visas for prolonged periods through simplified visa procedures for drivers engaged in transport operations
- Acceptance of third party motor vehicle liability insurance
- Permission for registered road transport operators to establish representative offices in host countries
- Exemption from physical inspection, customs escorts, and security deposits for all traffic in transit
- Simplification of border crossing formalities which include harmonization of customs procedures
- Mutual assistance in customs matters, which include exchange of information, coordination of activities, and cooperation to fight against customs fraud in cross border movement
- The contracting parties shall ensure law and order, and security for traffic and transit
- Establishment of the joint border post to facilitate expeditious clearance of transit traffic

The TIR Convention contains provisions for facilitating traffic in transit whereby the Contracting Parties use the TIR Carnets instead of a financial security as a guarantee for outstanding customs revenues. The Convention also simplifies the entry/exit of transport units and the crew through a unified procedure applicable at the land border stations of all Contracting Parties. Accession to the TIR Convention would help the Contracting Parties to comply with the trade facilitation measures stipulated in the CBTA.

### **Institutional Arrangement and Dispute Settlement**

The CBTA mandates the National Transport and Trade Facilitation Committee (NTTFC) to ensure the proper implementation of the Agreement. The NTTFCs of the Contracting Parties will coordinate under the CAREC institutional arrangements. The NTTFC is also responsible for handling all complaints related to the implementation of the Agreement. In case of disputes between the Contracting Parties, the Agreement requires settlement through negotiations. The CBTA, unlike the Afghanistan-Pakistan Transit Trade Agreement (APTTA), does not have an elaborate mechanism for implementation and dispute settlement.

### **Policy and Implementation Gaps**

This section offers policy inputs to the GoP on implementation of the CBTA in Pakistan. The inputs are based on a detailed examination of the provisions of the Agreement. In the event that Pakistan becomes signatory to the CBTA, the GoP would be required to accede to relevant international conventions, and to implement them by introducing an enabling regulatory environment and improving infrastructure and services along the designated Corridor.

### **International Conventions**

The CBTA uses international conventions for transit guarantees and for the transit of goods- the Agreement makes the use of TIR Carnets mandatory. Use of TIR Carnets remains the primary impediment to Pakistan's implementation of CBTA. During accession negotiations, however, Pakistan may consider making an attempt to incorporate the APTTA model for financial securities for the transit of goods. The other Contracting Parties may not support such provisions as they have already acceded to the TIR Convention. The financial security model under APTTA has been a source of difficulty for Afghan traders and has been instrumental in diverting trade from Pakistani ports to Iranian ports. As of May 2014, 35,000 insurance guarantees are reportedly pending release with Pakistan Customs despite the fact that the relevant consignments have reached their destination.<sup>2</sup> The TIR Union provides the TIR Contracting Parties an online web-based system to track the movement of transit consignments, thus providing a simple system for the discharge of TIR Carnets as soon as goods leave the transit territories.

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<sup>2</sup> According to Trade Project interviews with Customs House Karachi



The movement of transport units is allowed under the Customs Convention on the Temporary Importation of Commercial Road Vehicles. This Convention allows temporary admission of commercial vehicles through the territories of the Contracting Parties; however, the Agreement does not make the use of this Convention mandatory. Rather, it requires member states to make efforts toward its implementation.

CBTA encourages Contracting Parties to use sealed containers for the transit of goods. The movement of containers will be without duties and taxes subject to the fulfilment of the conditions under the Customs Convention on Containers. This is also the best endeavour clause and requires the Contracting Parties to make efforts for its implementation. Pakistan can still benefit from the agreement without acceding to this Convention by using TIR Carnets.

Use of the TIR Convention remains the primary impediment to Pakistan's implementation of the CBTA. It is imperative that Pakistan accede to the TIR Convention before making efforts to accede to the CBTA.

### **Transit Duration**

Under APTTA, Pakistan has allowed 15 days' transit duration for trucks transiting goods from dry ports (Temporary Admission Document (TAD) Type-A) and 30 days from seaports (TAD type-B). Pakistan also grants multiple entry permits valid for six months - each stay not exceeding 15 days for the drivers and the persons engaged in international transit. The CBTA does not put such time limitations on traffic and transit. Moreover, the CBTA requires extended multiple visas through simplified procedures to facilitate visas for truck drivers.

### **Harmonization of Documentation/Requirements**

Harmonization and facilitation of border crossing procedures and documents along the lines of international standards will be required in order to ensure speedy completion of procedures. Under APTTA and CBTA, Contracting Parties have agreed to make efforts to align their documents to the United Nations Layout Key (UNLK) for trade documents. Pakistan Customs have made efforts to implement the UNLK and to a considerable extent, the Goods Declaration forms have been found to comply with the standards; however, other agencies such as Port Authorities, Provincial Governments, Sanitary and Phyto-Sanitary implementing agencies and banks have not yet aligned their documents with UNLK.

### **Custom Controls**

The Agreement requires the Contracting Parties to limit customs controls on the means of transport and goods in transit passing through their respective territories to facilitate traffic in transit. APTTA also has similar provisions but there have been complaints from both Afghanistan and Pakistan on the limit of customs controls and interference of other law enforcement agencies with transit consignments. In Pakistan, a number of law enforcement agencies other than Customs regularly inspect transit consignments en route.

### **Electronic Data Interchange (EDI) / Single Window (SW)**

Harmonization of the Electronic Data Interchange system is one of the major requirements that needs to be addressed by all the Contracting Parties. Currently the EDI system implemented in Pakistan is covered under the Web-Based One Customs (WeBoC) System. Afghanistan Customs uses the ASYCUDA system, which is operational at all BCPs.<sup>3</sup> Tajikistan has developed its own custom automated system called the Unified Automated Information System (UAIS). Kyrgyzstan is installing a

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<sup>3</sup> EATL Report, Phase-II pg. 519

UAIS custom automated system to introduce a single administrative document system.<sup>4</sup> The harmonization of these systems for EDI implementation could pose challenges. Pakistan has currently established EDI with Afghanistan through a pilot project at Torkham land border station. This system, upon its successful test, would be extended to the Chaman land border as well. A feasibility study would be required with respect to extending this to other CBTA Contracting Parties.

### Risk Management System (RMS)

Article 25 (a) of Annex 9 of CBTA and Article 21 (4) of APTTA provides for “risk management system” under which the Contracting Parties will apply risk management techniques in border crossing clearance procedures with respect to the Revised Kyoto Convention (RKC) 1999. APTTA authorizes 5% of transit containers to be physically examined by the Contracting Parties. The CBTA, on the other hand, exempts transit consignments from customs inspections and escorts under the TIR Carnet. Pakistan would be required to develop consensus among the various stakeholders such as the Federal Board of Revenue (FBR), Ministry of Communications, Law Enforcement Agencies and Provincial Governments in order to exempt transit consignments from such inspections.

### Ratification of International Conventions

The CARs have acceded to numerous international conventions and have attempted to harmonize their national transit and transport legislation along the best international practices. The CBTA relies heavily on several international conventions to facilitate traffic in transit; however, Pakistan has not been very proactive in acceding to these international conventions. The table below shows the year of accession or the position of non-accession of Pakistan and each of the CBTA's Contracting Parties on international conventions provided for under the CBTA.

**Table 1: Position of Pakistan, Afghanistan, Tajikistan and Kyrgyzstan on International Conventions Provided for Under the CBTA.**

International Conventions	Pakistan	Afghanistan	Tajikistan	Kyrgyzstan
Customs Convention on the Temporary Importation of Commercial Road Vehicles (May 18, 1956)	- <sup>5</sup>	1977	-	1998
Convention on the Contract for the International Carriage of Goods by Road (CMR) (May 19, 1956)	-	-	1996	1998
Convention on Road Traffic (November 8, 1968)	1986	-	1994	2006
Convention on Road Signs and Signals (November 8, 1968)	1980		1994	2006
Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage (ATP) (September 1, 1970)	-	-	2011	2012
Customs Convention on Containers (December 2, 1972)	-	-	-	2007
Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention) (November 14, 1975)	-	1982	1996	1998

Brief details about the conventions in CBTA are provided in **Annex 1**.

<sup>4</sup> CAREC. 2009. “Regional Trade Facilitation and Custom Cooperation Program-Progress Report”, 8<sup>th</sup> Ministerial Conference on CAREC, pg. 3. <http://www.carecprogram.org/uploads/events/2009/8th-MC/Progress-Report-Regional-TF-CC-Program.pdf>

<sup>5</sup> - indicates that the country has not ratified, acceded or succeeded to the convention

## Trading Across Borders

Simplification and standardization of documentation is one of the major factors contributing to reduced time and cost of exporting and importing transit cargo across international borders. All CBTA members have instituted reforms in their regulations and made progress on this account. According to the World Bank's "Trading Across Border" Indicator, the number of documents required, with respect to exports and imports, by the CARs and Afghanistan have decreased between 2011 and 2013, but are higher than for Pakistan. In addition, the time and cost involved in imports and exports of CARs is seven times higher than Pakistan. In these landlocked countries, non-existence of intermodal and multimodal transport and lack of developed communication systems further impede trade facilitation. The table below shows the position of each country in the "Trading Across Border" Indicator.

**Table 2: World Bank's "Trading across Border" Indicator<sup>6</sup>**

Trading Across Border							
Economy Name	Rank	Documents to export (number)	Time to export (days)	Cost to export (USD per container)	Documents to import (number)	Time to import (days)	Cost to import (USD per container)
Pakistan	91	8	21	660	8	18	725
Kyrgyz Republic	182	9	63	4,360	11	75	5,150
Afghanistan	184	10	81	4,645	10	85	5,180
Tajikistan	188	12	71	8,650	12	72	10,250

The Contracting Parties could use the trade facilitation provisions under CBTA and introduce necessary facilitation measures to improve their trade competitiveness.

## Representative Offices of Registered Transport Operators

The CBTA Agreement requires Contracting Parties to facilitate authorised transport operators to establish representative offices in their countries. Pakistan would be required to amend domestic regulation to allow transport operators from other CBTA member countries to establish offices in its territory. Similar provisions are also available in the APTTA; however, to date transport operators from Afghanistan have not been able to establish representative offices in Pakistan.

<sup>6</sup> World Bank. 2013. "Doing Business Report; Trading Across Border Indicator". pg. 145.  
<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB13-full-report.pdf>

## Analysis of CBTA's Substantive Provisions

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
<b>Scope of the Agreement</b>		
<b>Scope of Application</b> The Agreement shall apply to signatory contracting parties (Afghanistan, Tajikistan and Kyrgyzstan) <ol style="list-style-type: none"> <li>1) Motorized road transport mode</li> <li>2) Commercial transport and private movement of:             <ul style="list-style-type: none"> <li>• People</li> <li>• Vehicles, and</li> <li>• Goods only</li> </ul> </li> </ol>	<p>Currently Afghanistan, Tajikistan and Kyrgyzstan are signatory to the Agreement. Pakistan has joined CBTA as an observer and efforts are underway by the MoC to develop stakeholder consensus on Pakistan's accession to the Agreement. Upon accession to this Agreement, it will be easier for Pakistan to trade with Kyrgyzstan through the territories of Afghanistan and Tajikistan.</p> <p>CBTA was considered, in the NTTFC Inter-ministerial consultative meeting held on September 12, 2012, as a possible agreement to provide regional connectivity between Pakistan and the CARs. It was agreed that the GoP may convey its intention of joining the Agreement. In this case, the Ministry of Communications will be required to submit a summary to the Cabinet seeking its approval to become a CBTA member.</p> <p>Pakistan has acceded to other transit facilitation agreements that could be leveraged to provide regional connectivity across CARs. These agreements include APTTA, the Economic Cooperation Organization Transit Transport Framework Agreement (ECO-TTFA) and the Quadrilateral Traffic in Transit Agreement (QTTA).</p> <p>APTTA provides for the use of multimodal transport. The CBTA only arranges for motorized road transport and does not cover the protocol for railway and aviation. Due to the volatile law and order situation and lack of infrastructure at land border crossing points in Pakistan, some Pakistani traders prefer to export their goods via chartered flights. To provide effective connectivity between Pakistan and the CARs, CBTA should incorporate additional protocols with respect to use of</p>	<p>The Agreement needs to incorporate additional protocols with respect to use of multimodal transport (railway and aviation).</p>

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
<p><b>Designated Border Crossing Points</b></p> <p>The Contracting Parties are allowed for cross border movement through the designated border crossing points (entry/exit points) and routes (Corridors)</p> <ul style="list-style-type: none"> <li>In addition to the border crossings and routes originally designated in this Annex, the Contracting Parties are entitled to open additional border crossings and routes through an amendment by a protocol that will form an integral part of the CBTA.</li> </ul>	<p>multimodal transport.</p> <p>The routes defined in CBTA are</p> <ol style="list-style-type: none"> <li>1) Torkham (Afghanistan/Pakistan) –</li> <li>2) Sherkhan Bandar (Afghanistan/Tajikistan)</li> <li>3) Karamik (Tajikistan/Kyrgyzstan)</li> <li>4) Irkeshtam (Kyrgyzstan/China border)</li> </ol> <p>Currently, Pakistani trucks have access to Afghanistan and Tajikistan borders via the Torkham - Sherkhan Bandar BCPs under the APTTA agreement. Pakistan can also access China, Kyrgyzstan &amp; Kazakhstan via the Sost, Irkeshtam and Karamik BCPs under the QTTA.</p> <p>Due to heavy snowfall in the winter season, the Sost BCP becomes non-operational, leaving CAREC Corridor 5 as the only alternative route linking the CARs to Pakistan. In this regard, accession to CBTA can provide Pakistan with access to CARs throughout the year.</p>	<p>Pakistan should develop guidelines under which CAREC Corridor 5 member countries will be able to access Pakistan's ports (Gawadar, Karachi, and Port Qasim).</p> <p>CBTA does not cover provisions regarding port terminal handling. A separate protocol in this regard may be necessary.</p>
<b>Measures Related to Cross Border Movement of People</b>		
<p><b>WHO-IHR</b></p> <p>People crossing borders shall be treated by the host country in accordance with World Health Organization (WHO) International Health Regulations (IHR).</p>	<p>WHO-IHR (2005) is a global framework to prevent and protect against the international spread of disease, while avoiding unnecessary interference with international traffic and trade. Pakistan became a signatory to WHO-IHR in 2007.</p> <p>Pakistan has drafted an IHR Surveillance Act which covers both surveillance and communicable disease control at entry ports. With the devolution of powers to provincial authorities after the 18<sup>th</sup> Constitutional Amendment, the points of entry relating to health matters are to be overseen by provincial authorities in collaboration with federal authorities. In addition to the Surveillance Act, an effective institutional mechanism needs to be implemented to ensure detection and response to public health events of national and international concern.</p>	<p>An adequate implementation mechanism is necessary to meet IHR rights and obligations.</p> <p>Pakistan needs to seek technical and regulatory assistance from WHO-IHR for development of its IHR implementation and monitoring framework.</p>

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
<b>Treatment of Personal Effects</b> People crossing the border shall be exempted from customs duties, taxes, and fees with respect to personal effects subject to rules below:  The traveler shall be allowed to import, free of import duties and taxes, the following items in reasonable quantities for personal use, excluding commercial purposes, subject to Host Country regulations, but not less than: <ul style="list-style-type: none"> <li>• Consumables: 200 cigarettes or 50 cigars or 250 grams of tobacco or an assortment of these products of a total weight not exceeding 250 grams</li> <li>• 2 liters of wine and 1 liter of spirits</li> <li>• ¼ liter of toilet water and 50 grams of perfume</li> <li>• Other goods of a non-commercial nature with an aggregate value of Special Drawing Rights (SDR)<sup>7</sup> 75.00</li> <li>• Jewelry of not more than four items</li> </ul>	As per Article 6 of Custom Baggage rules 2006, the following duty free allowances are admissible with respect to foreign nationals and tourists: <ul style="list-style-type: none"> <li>• Personal wearing apparel and clothing accessories</li> <li>• Personal adornments, toilet requisites and electric shaver in use</li> <li>• Medals, trophies and prizes bestowed upon a passenger</li> <li>• One electric iron and one hair dryer</li> <li>• Two hundred cigarettes or fifty cigars or half kilogram of manufactured tobacco</li> <li>• One desktop or laptop computer in personal use only</li> <li>• One mobile phone</li> <li>• One wrist watch</li> <li>• One still camera and one video camera</li> <li>• Professional tools of the value not exceeding USD 500</li> <li>• Additional duty free allowance of the value not exceeding USD 100</li> <li>• Pushcart, toys, and goods of personal use of the accompanying child</li> </ul>	Pakistan's domestic regulation is almost compliant with the treatment of personal effects as established in the CBTA, with the exception of wine/spirits, the import of which is banned in Pakistan.
<b>Simplified Visas</b> If visas are required, drivers engaged in transport operations under the Agreement shall be eligible for multiple entry visas for prolonged periods on the basis of a simplified visa procedure. The host country may refuse issuance of such visas on specified grounds of safety and/or national security, as defined by national legislation.	Under APTTA, Pakistan issues multiple entry visas to Afghan traders; however Pakistani traders are only issued one-sided single entry visas by the Afghan authorities.	Issuance of visas is a major impediment for countries involved in transit trade. It would be beneficial if efforts are made by the Contracting Parties to the Agreement to harmonize visa procedures.
<b>Measures Related to Cross Border Activity of Transport Operator</b>		
<b>Registration of Vehicles</b> The Contracting Parties shall admit to their territory the road vehicles registered in another Contracting	Pakistan acceded to the Vienna Convention on Road Traffic on March 19, 1986.	Pakistan needs to enhance the capacity of transport operators regarding compliance with

<sup>7</sup> SDRs are supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund (IMF). SDRs are not a currency, and instead represent a claim to currency held by contracting members. The value of SDR conversion varies by year.

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
<p>Party. For that purpose, the vehicles shall conform with the Vienna Convention on Road Traffic, of November 8, 1968, with respect to:</p> <ul style="list-style-type: none"> <li>• The type of vehicles</li> <li>• Their technical standards</li> <li>• The format and contents of their registration certificate, plate, and marks, and their nationality sign, and their road worthiness</li> </ul>	<p>Chapter XIV (rules 328 (1, 3, 4, 8), rule 327 (3, 6, 7) and Chapter XXV (sub-chapter XI rules 638) of Pakistan Customs Act 2001, ascertain regulations regarding registration and licensing of bonded carriers for transit trade.</p> <p>Pakistan has formulated a National Trucking Policy<sup>8</sup> under the National Trade Corridor Improvement Program (NTCIP).<sup>9</sup> The policy emphasizes modernizing and strengthening Trade and Transport logistics in the country. The framework takes a holistic and integrated approach to reducing the cost of doing business in Pakistan by improving the trade and logistics chain and bringing it up to international standards. The policy provides domestic legislation with respect to:</p> <ul style="list-style-type: none"> <li>• Modernization of the long haul truck fleet</li> <li>• Motor Vehicle Registration (MVR)</li> <li>• Motor Vehicle Examination (MVE)</li> <li>• Axle Load management</li> <li>• Drivers Training &amp; Re-training / Licensing &amp; Re-licensing</li> <li>• Trans Freight Stations/Modern Cargo Handling Facilities</li> <li>• Trailer Manufacturing and Registration</li> <li>• National Standards and Specifications for Trucks and Trailers</li> <li>• Industrial Estates for Truck/ Bus Body Makers</li> <li>• Promoting corporatization culture in the logistics sector</li> </ul>	<p>the Vienna Convention on Road Traffic.</p>
<p><b>Third Party Liability Insurance</b></p> <p>The Contracting Parties shall also recognize third-party motor vehicle liability insurance issued in the vehicle's home country, subject to harmonization in</p>	<p>Pakistan Customs Rules of 2001, (Chapter XXV, sub-chapter-IV, Article 619, 620 &amp; 621) provide detailed information with respect to the acceptance and release of</p>	<p>The GoP should introduce third party liability insurance for transit trade. The Security and Exchange Commission of Pakistan (SECP) may</p>

<sup>8</sup> Engineering Development Board (EDB), Ministry of Industries, 2010, "Trucking Policy", <http://www.engineeringpakistan.com/EngPak1/truckingpolicy.php>

<sup>9</sup> Mr. Salman Taseer, (Federal Minister, MoI), speech to the Task Force on NTCIP, <http://www.engineeringpakistan.com/EngPak1/trucking/MESSAGEMINISTER.pdf>



CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
<p>accordance with Annex 5 (Article 7), which includes</p> <ul style="list-style-type: none"> <li>• Minimum insurance liability coverage</li> <li>• Mutual recognition of insurance policy</li> <li>• Evidence of policy (liability insurance certificate), and</li> <li>• Direct right of action and presence of representatives from the insurer in the contracting member countries.</li> </ul>	<p>financial guarantees in transit trade.</p> <p><b>Insurance Guarantees:</b> On behalf of the Afghan importer, an authorized broker or transporter operator in Pakistan needs to furnish customs security in the form of an insurance guarantee from an insurance company of repute/acceptable to customs (on a prescribed format). The insurance guarantee should be valid for at least one year and should be en-cashable in Pakistan, for ensuring the fulfillment of any obligation arising out of customs transit operations between Pakistan and Afghanistan.</p> <p><b>Bank Guarantees:</b> In case transport units, carrying transit goods, are registered in Afghanistan, the transport operator or his authorized Customs clearing agent, or the concerned Chamber of Commerce should lodge a bank guarantee or revolving bank guarantee from a scheduled bank, acceptable to Customs, equivalent to 10 percent of the amount of duty and taxes. The guarantee should be valid for at least one year and should be en-cashable in Pakistan.</p>	<p>devise a legal framework in this respect.</p> <p>The enactment of the Logistics Service Providers Regulatory Authority (LSPRA) Bill, 2011 is recommended.</p>
<p><b>Road Traffic Safety:</b></p> <p>To ensure traffic safety in the movement of vehicles in their territory, the Contracting Parties shall harmonize their traffic regulation and signage in accordance with the Vienna Conventions on Road Traffic and on Road Signs and Signals, dated November 8, 1968 (Article 7, (e)).</p>	<p>Pakistan acceded to the Vienna Convention on Road Traffic on March 19, 1986 and the Convention on Road Signs and Signals on January 14, 1980.</p> <p>National Highway Safety Ordinance, 2000 was formulated, enforced and extended to the whole of Pakistan. This ordinance covers traffic regulations on:</p> <ul style="list-style-type: none"> <li>• Signals &amp; signs regulations, provisions of animal drawn vehicles, parking, permissible speed limits, etc.</li> <li>• Certificate of fitness for vehicles, etc.</li> <li>• Vehicle Examination protocol</li> <li>• Vehicle Registration protocol</li> <li>• Protocol related to construction, equipment &amp; maintenance and expiry of road vehicle</li> <li>• Control of traffic</li> </ul>	<p>To fulfill its obligation as a signatory to the Convention on Road Traffic, Pakistan needs to provide training to national and international transport operators as well as enforce the terms and conditions of the Convention.</p>



CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
	<ul style="list-style-type: none"> <li>• Offence, penalties, and procedures</li> <li>• Establishment of a motorways and national highways police force</li> <li>• Code of criminal procedures such as licensing malpractices, violations, penalties, etc.</li> </ul>	
<b>Commercial Presence</b> The Contracting Parties shall allow road transport operators established in another Contracting Party to establish a representative or a branch office in their territory.	Pakistan would be required to introduce necessary legislation to facilitate the natural persons from Contracting Parties to establish representative offices for handling transport services for transit traffic.	Promulgation of necessary regulations for providing market access under Mode 4 of Trade in Services from CBTA Contracting Parties.
<b>Mutual Recognition of Licenses</b> <b>A) International Road Transport Operators' License</b> The Contracting Parties shall mutually recognize the international road transport operator's license issued by the transport operator's home country subject to harmonization requirements in accordance with Annex 7 (Part I), which includes: <ul style="list-style-type: none"> <li>• Compliance with respect to reliability and professional competence in line with national legislation</li> <li>• Professional competence with respect to sound management, supply of quality service, fair competition, safety of transport operators, etc. Operators should be proficient in matters related to transport business including legal matters, technical matters, transport operation management, conditions and requirements of operations, and road safety.</li> </ul>	Pakistan acceded to the Vienna Convention on Road Traffic on March 19, 1986. <sup>10</sup>  According to Custom Rules 2001, the bonded carrier and transport operators should fulfill the following conditions: <ul style="list-style-type: none"> <li>• Fleet of minimum 25 registered vehicles in the name of the applicant or company</li> <li>• The applicant must be registered under the Companies' Ordinance of 1984</li> <li>• The applicant should be a member of either a Chamber of Commerce &amp; Industry (CC&amp;I) or Pakistan's International Freight Forwarder Association (PIFFA) with valid membership/registration certificate</li> <li>• The applicant should hold a National Tax Number (NTN) certificate under Income Tax Ordinance 2001</li> <li>• Should be licensed under Chapter VIII of Customs Rules of 2001</li> <li>• Copies of registration books of vehicles</li> <li>• Permanently fixed/installed tracking devices from a certified/registered tracking company</li> <li>• Valid registration and vehicle fitness certificate duly</li> </ul>	Approval and enactment of the Logistics Service Providers Regulatory Authority Bill, 2011.

<sup>10</sup> UNECE. 2007. "List of Contracting Parties to the Convention on Road Traffic", [http://www.unece.org/fileadmin/DAM/trans/conventn/CP\\_Vienna\\_convention.pdf](http://www.unece.org/fileadmin/DAM/trans/conventn/CP_Vienna_convention.pdf)

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
	<p>endorsed/attested by the competent authority</p> <ul style="list-style-type: none"> <li>• Hold membership of the transport association</li> <li>• Approval from DG Intelligence and Investigation, Karachi</li> <li>• Bank Guarantee (PKR 15 million for transport operator and PKR 5 million for transshipment)</li> </ul> <p>Pakistan has devised certain regulations for freight forwarders, namely:</p> <p>(1) Standard Trading Conditions<sup>11</sup> for Freight Forwarders. This regulation contains 35 points with regard to:</p> <ul style="list-style-type: none"> <li>• Condition for freight forwarders</li> <li>• Arbitration</li> <li>• Time limit</li> <li>• Liability and limitations</li> <li>• Law, Jurisdiction and Conciliation</li> <li>• Customer warrants with respect to goods particulars, claims, cost, damage/loss, duties/charges/levies, etc.</li> </ul> <p>(2) Recommended minimum qualification standard<sup>12</sup> for Freight Forwarders. This regulation contains 9 articles which define:</p> <ul style="list-style-type: none"> <li>• Conditions for minimum staff requirement &amp; professional qualifications</li> <li>• Commercial presence</li> <li>• Processing &amp; handling</li> <li>• Financial qualification</li> <li>• Code of professional conduct</li> <li>• Enforcement</li> <li>• Compliance mechanism</li> </ul> <p>PIFFA has also prepared a code of conduct for the freight forwarders. PIFFA is registered with the MoC and the</p>	

<sup>11</sup> PIFFA. January 2005. "Standard Trading Conditions for Freight Forwarders". <http://www.nttfc.org/standardTradingCon.asp#>

<sup>12</sup> NTTFC. June 11, 2003. "Recommended Minimum Qualification Standard for Freight Forwarders". <http://www.nttfc.org/qualstandard.asp>

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
<p><b>B) Driving License</b></p> <p>The Contracting Parties shall mutually recognize the international driving licenses issued by the competent authorities of other Contracting Parties, according to the Vienna Convention on Road Traffic, 1968.</p>	<p>International Road Transport Union (IRU).</p> <p>According to Chapter II of the National Highway Safety Ordinance 2000, the National Highway &amp; Motorway Police (NH&amp;MP) is the designated authority for the enforcement of traffic regulations on all the main road networks in Pakistan, and the Provincial Traffic Police is the competent authority entitled to issue driving licenses.</p>	
<p><b>Liability for Cargo Carriage</b></p> <p>Conditions of carriage and carrier liability for goods transport shall be in accordance with the regime set out in Convention on the Contract for the International Carriage Of Goods By Road (CMR), Geneva, 1956.</p>	<p>Pakistan has not acceded to or ratified the Convention on International Carriage Of Goods By Road (CMR). Most other CAREC members have ratified this convention. Afghanistan has not yet acceded to it.</p> <p>Chapter XVIII, Article 419 of the Customs Act 2001, covenants the liability of carriers. Under the auspices of the NTTFC, Pakistan has also drafted multiple national regulations<sup>13</sup> on transit carriage such as:</p> <ul style="list-style-type: none"> <li>• Carriage of Goods by Road Act/Bill 2011</li> <li>• Carriage of Goods by Rail Act</li> <li>• Multimodal Transport of Goods Act</li> <li>• Carriage of Goods by Sea Act/Bill 2010</li> <li>• Carriage by Air Act 2012</li> <li>• Sea Carriage Shipping Document Bill 2010</li> </ul>	<p>Pakistan has drafted the Carriage of Goods by Road Act/Bill 2011, which deals with domestic liability for goods transport; however, it has not yet been approved.</p> <p>As Pakistan's bilateral and multilateral road transport agreements with neighboring countries increase, it is important that Pakistan accede to the CMR Convention. The Ministry of Communications in the 18<sup>th</sup> NTTFC inter-ministerial meeting informed that the process of accession to CMR would be initiated once the Carriage of Goods by Road Act/Bill 2011 is approved by the parliament.</p>
<p><b>Liability for Passenger Transport</b></p> <p>With respect to cross-border operations of passengers under the agreement, the road carrier liability shall be governed by the provisions of the Commonwealth Independent States (CIS) Convention on International Road Transport of Passengers and Luggage signed in Bishkek on October 9, 1997.</p>	<p>Pakistan has not acceded to or ratified the CIS Convention on International Road Transport of Passengers and Luggage.</p> <p>CIS members have established around 12 common standards or procedures for specific areas in relation to international road transport; the CIS Convention is one of them.<sup>14</sup></p>	<p>Pakistan has drafted the "National Transport Policy" that also covers efficient cross mode connectivity and integration with regional countries. It is recommended that the Ministry of Communications expeditiously adopt the new National Transport Policy.</p>

<sup>13</sup> PIFFA. January 2005. "Standard Trading Conditions for Freight Forwarders". <http://www.nttfc.org/standardTradingCon.asp#>

<sup>14</sup> UNESCAP. 2011. "Monograph Series on Facilitation of International Road Transport in Asia and the Pacific". pg.11. <http://www.unescap.org/sites/default/files/pub-2607-fulltext.pdf>

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
<p><b>Market Access- Quotas and Permits</b></p> <p>Without prejudice to arrangements in accordance with Article 23(a), the Contracting Parties shall allow road transport operators established in another Contracting Party to perform international transport in their territory in accordance with Annex 6 (Article 9, d).</p> <p><b>Issuance of Number of Permits/Quota</b> shall be determined by the competent authority of the Contracting Parties without discrimination.</p>	<p>The Ministry of Communications is the designated authority for determining quotas and issuing permits for traffic in transit under various bilateral and regional transport agreements. While submitting applications for issuance of permit, the transporter should fulfill the following conditions<sup>15</sup>:</p> <ul style="list-style-type: none"> <li>• The transport companies should be registered under Companies' Ordinance of 1984</li> <li>• The companies should either be a member of a CC&amp;I or PIFFA with valid membership certificate</li> <li>• Operates a fleet of registered vehicles in his/her name or company's, or leased</li> <li>• The company should hold a valid National Tax Number (NTN)</li> <li>• Valid registration and vehicle fitness certificate duly endorsed/attested for each vehicle</li> </ul>	<p>In the event that Contracting Parties agree to maintain transit quotas, the Ministry of Communications' workload would increase.</p>
<p><b>Pricing</b></p> <p><b>A) For Cargo Transport Services:</b></p> <p>Transport prices shall be determined by market forces</p> <p><b>B) For Passenger Transport Services:</b></p> <p>Non-schedule transport services</p> <ul style="list-style-type: none"> <li>• Transport process shall be determined by market forces</li> <li>• The accompanied luggage allowance is left to the agreement between the parties to the contract of carriage</li> </ul> <p>For scheduled transport services</p> <ul style="list-style-type: none"> <li>• The Contracting Parties will agree on the transport price</li> <li>• Each passenger is entitled to bring along free</li> </ul>	<p>In Pakistan the pricing for cargo and passenger transport services is determined by the market forces.</p>	<p>The Contracting Parties may agree on a monitoring mechanism through their NTTFC to ensure proper monitoring of this provision.</p>

<sup>15</sup> Source: NTTFC/PIFFA

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
of additional charge, hand luggage as provided upon between the competent bodies of the Contracting Parties. Carriers may charge for excess luggage. The surcharge may vary depending on the route, but shall not exceed five percent of a full-fare passenger ticket price per excess kilogram of weight.		
<b>Measures Related to Customs</b>		
<p><b>Exemptions for Vehicles:</b></p> <p>The host country shall exempt from import duties and taxes the motor vehicles registered in another Contracting Party, admitted temporarily into its territory for the purpose of operations under the Agreement, but subject to their re-exportation and subject to the conditions set out (in Annex 4, Part III), which states, "The Contracting Parties shall strive to follow the Customs Convention on the Temporary Importation of Commercial Road Vehicles (Geneva May 18, 1956)".</p>	<p>Pakistan has not acceded to or ratified the Customs Convention on the Temporary Importation of Commercial Road Vehicles. Most of the CAREC members have ratified this Convention.</p> <p>Chapter VI of the Customs Rules 2001 provides legislation for temporary importation of one motor vehicle (Carnet du Passage). Articles 76 - 81 of the Customs Rules 2001 provide further details on:</p> <ul style="list-style-type: none"> <li>• Temporary import of vehicles owned by tourists, etc.</li> <li>• Temporary import of vehicle owned by Afghan citizens</li> <li>• Prohibitions against import of vehicle by expatriate employee</li> <li>• Period for retention vehicle to be endorsed, etc.</li> </ul> <p>Article 12 of the Import Policy Order 2012-15 outlines temporary imports allowed under sub-categories against submission of bank guarantee, to ensure re-export of the same within the specified period, namely:</p> <ul style="list-style-type: none"> <li>• Shipping containers for transportation of cargo</li> <li>• Trucks and cargo transport vehicles registered in foreign countries carrying imported cargo through customs border stations, provided there is a bilateral or multilateral agreement on a reciprocal basis between Pakistan and the foreign country to which those vehicles</li> </ul>	<p>During the 18<sup>th</sup> NTTFC meeting it was proposed that Pakistan should accede to the Customs Convention on the Temporary Importation of Commercial Road Vehicles.</p> <p>During the Pak-Afghan Joint Economic Coordination Committee meeting, the submission of bank guarantees for vehicles was considered one of the major procedural issues.<sup>16</sup></p>

<sup>16</sup> 8th session of Pakistan-Afghanistan Joint Economic Coordination Committee Meeting

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
	belong	
<b>Container Entry</b> <p>The Contracting Parties shall exempt from import customs duties and taxes the containers, admitted temporarily into their territory for the purpose of operations under the Agreement, but subject to their re-exportation and subject to the conditions set out in Annex 4, Part IV - the Contracting Parties shall strive to follow the provisions of the Customs Convention on Containers, signed at Geneva on December 2, 1972.</p>	<p>Pakistan has not acceded to the Customs Convention on Containers 1972. Most of the CAREC member states have ratified this convention.</p> <p>According to clause 12 (k) of the Import Policy Order 2012-15, temporary import of shipping containers for transportation of cargo is allowed.</p> <p>Clause 404 of the Customs Rules 2001 stipulates that the carrier or his agent filing a cargo declaration to customs authorities should undertake that the containers temporarily imported without the payment of customs duties should be re-exported within six months.</p>	<p>To facilitate transit traffic to the landlocked CARs and Afghanistan it is necessary to harmonize domestic regulations with international conventions so as to provide an effective regulatory framework for international shipping lines transiting via Pakistan.</p> <p>A Working Group chaired by the Chief (International Customs) is reviewing the possibility of Pakistan's accession to the Customs Convention on Containers.</p>
<b>Single-stop: Joint-Border Posts</b> <p>The Contracting Parties shall facilitate the border crossing formalities for international transport operations via coordination of border clearance.</p> <p>The Contracting Parties shall pursue border clearance procedures whereby the user is subjected only once to the controls and inspections of the two adjacent countries (single-stop).</p>	<p>At the land border stations with Afghanistan at Chaman and Torkham, there is not much coordination among the relevant government agencies for facilitating border crossing procedures and formalities.</p> <p>At the present time the Customs Act, 1969 has no provision for the establishment of a single-stop border control facility with neighboring countries although, in APTTA, 2010 there is a provision of working towards such a border post in the future.</p>	<p>Pakistan and Afghanistan are under discussion for joint border posts to facilitate expeditious clearance of transit and trade consignments. The discussions are still at the preliminary stages. Both sides have yet to develop a viable and sustainable plan for upgrading the infrastructure at land border stations.</p> <p>A single-stop border control facility is a major trade facilitation measure that would reduce overall logistic costs and save transit time, but its implementation will depend greatly on Pakistan's national policy toward its neighbors.</p>
<b>Measures Related to Cross Border Movement of Goods</b>		
<b>Customs Transit Regimes for Goods (TIR Carnets)</b> <p>The Contracting Parties shall exempt cargo under cover of TIR Carnets (TIR), transiting through their territory or in inland transit from routine customs physical inspection, customs escorts, and the deposit</p>	<p>Pakistan has not acceded to or ratified the Customs Convention on the International Transport of Goods under the cover of TIR Carnets. Most CAREC countries, with the exception of Pakistan and China, have ratified this convention and made it operational in their respective territories.</p>	<p>Accession to the TIR Convention.</p> <p>Given the importance of accession to TIR, it is recommended that the MoC develop stakeholder consensus for early accession to the TIR</p>

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
<p>of a bond per transport operation and per operator.</p> <p>The applicable system which Contracting Parties will apply is the Customs Convention on the International Transport of Goods under the cover of TIR Carnets (TIR), dated November 14, 1975.</p>		Convention.
<p><b>Sanitary &amp; Quarantine Regulations for Goods</b></p> <p>The border crossing clearance of cargo shall be processed in accordance with international normative acts in the field of sanitary–epidemiologic and sanitary control set out in Article 10b.</p> <p>Sanitary quarantine standards including the border crossing clearance of cargo shall be processed in accordance with the international agreements signed by the Contracting Parties (Annex I Part III).</p>	<p>Pakistan is a signatory / member of the following international conventions / organizations:</p> <ul style="list-style-type: none"> <li>• International Plant Protection Convention (IPPC, revised of 1997): Pakistan has adhered to this Convention since November 10, 1954.</li> <li>• World Organization of Animal Health (OIE)</li> <li>• (FAO/WHO) Codex Alimentarius Commission</li> <li>• WTO-SPS Agreement (January 1, 1995)</li> <li>• International Standards for Phyto-sanitary Measures (ISPMs)</li> </ul> <p>Pakistan has also inked certain national laws and regulations on SPS measures, namely:</p> <ul style="list-style-type: none"> <li>• Pakistan Plant Quarantine Act 1976</li> <li>• Agriculture Pesticides Ordinance 1971</li> <li>• Pakistan Plant Quarantine Rules 1967</li> <li>• Proposed Phyto-sanitary Act 2012</li> <li>• Animal Quarantine Act 1985</li> </ul> <p>Pakistan has designated a National Plant Protection Organization (NPPO) for SPS management. This organization regulates international trade of agro-products through its plant quarantine outposts established at Pakistan's seaports, international air terminals, dry ports, and international borders.</p>	<p>After the passage of the 18<sup>th</sup> Constitutional Amendment, implementation of a number of sanitary and quarantine measures have been delegated to provincial authorities. The federal government would be required to develop a central monitoring and evaluation system for implementing these provisions.</p>
<p><b>Prohibited &amp; Restricted Goods</b></p> <p><b>Prohibited Goods</b></p> <p>Save express ad hoc permission by the competent national authorities of the Host Country, the cross-</p>	<p>On the restriction on cross-border movements of goods, Article 5 of the Import Policy Order 2012-15 states:</p>	<p>The MoC on a case-by-case basis provides one time dispensation for transit of restricted goods.</p>

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
<p>border movement of the following categories of goods shall not be permitted under the Agreement:</p> <ul style="list-style-type: none"> <li>Media containing information and materials of a subversive nature with violence, pornography, ethnic and religious hatred, terrorism, and extremism</li> <li>Protected animal and plant species</li> <li>Cultural heritage objects</li> <li>Weapons</li> <li>Narcotics, and</li> <li>Human substances and body parts</li> </ul> <p><b>Restricted Goods:</b> The cross-border movement of the following categories of goods shall be restricted subject to the special measures of Contracting Parties (subject to their national legislations/regulations) and preventive/precautionary measures shall allow movement of restricted goods (indivisible) (subject only to special permits and national legislation/regulation).</p>	<ul style="list-style-type: none"> <li>Imports under Border Trade Agreements and Pakistan-Afghanistan Trade Agreements shall be made in accordance with procedure notified by the Federal Government from time to time.</li> <li>Import and export of goods for transit under the Agreement for Traffic in Transit among the Governments of the People's Republic of China, the Kyrgyz Republic, the Republic of Kazakhstan and the Islamic Republic of Pakistan shall be subject to all prohibitions and restrictions notified anywhere in this Order.</li> </ul>	<p>The procedure is cumbersome, time consuming, and non-transparent. It is recommended that the MoC and FBR consider special provisions for the approval of restricted goods.</p>
<p><b>Perishable Goods</b> In the transport of perishable goods, the Contracting Parties shall strive to follow the ATP Convention - Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment used for such Carriage, September 1, 1970, Geneva.</p>	<p>Pakistan has not acceded to the ATP Convention. In the absence of a reliable logistic infrastructure and services for the carriage of perishable products the transport industry of Pakistan may find it difficult to meet the requirements of this Convention.</p>	<p>Before accession to the CBTA, Pakistan should ratify the ATP Convention. Pakistan proposed to accede to the Agreement On the International Carriage of Perishable Goods, 1989 during the 18<sup>th</sup> session of the NTTFC meeting.</p>
<p><b>Dangerous Goods</b> The cross-border movement of dangerous goods shall be restricted (i.e., the types of goods specified in the UN Recommendations on the Transport of Dangerous Goods or international agreements to which the Contracting Parties are signatories).</p>	<p>Clause 333 of Pakistan's Customs Rules of 2001 identify the following goods as not permitted for transshipment:</p> <ul style="list-style-type: none"> <li>Spirits, as defined in Chapter 22 of the First Schedule to Act</li> <li>Dangerous drugs, as defined in the Dangerous Drugs Act, 1930 (II of 1930)</li> <li>Narcotic drugs and psychotropic substances in terms of Headings No.12.07, 13.02, 29.04, 29.22, 29.23, 29.25, to</li> </ul>	<p>To effectively implement CBTA Pakistan would be required to meet the requirements of ADR with respect to transit of dangerous goods.</p> <p>Accession to the Convention on Civil Liability for Damage Caused During Carriage of Dangerous Goods is recommended.</p>



CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
	<p>29.27, 29.35 and 29.42 of the First Schedule to the Act</p> <ul style="list-style-type: none"> <li>Explosives, as defined in the Explosives Act, 1884 (IV of 1884), and</li> <li>Arms and ammunition and parts thereof, as defined in the Arms Act, 1878 (XI of 1878)</li> </ul> <p>Article 24 of APTTA stipulates special provision on transport of dangerous goods with respect to the European Agreement Concerning the International Carriage of Dangerous Goods by Road (ADR 1951) (goods mentioned in the Annex A &amp; B of the ADR).</p>	
<p><b>Oversized and Overweight Goods</b></p> <p>The conveyance of oversized and overweight consignments shall be subjected to:</p> <ul style="list-style-type: none"> <li>Specified itinerary</li> <li>Specified time schedule (e.g., low traffic periods such as night or week-end time)</li> <li>Prior reconnaissance of the itinerary</li> <li>Escort vehicle(s)</li> <li>Special warning signage, and</li> <li>The transport of oversized and/or overweight cargo may be subject to special permit (conditions) that shall only be granted if the cargo is indivisible</li> </ul>	<p>In accordance with the National Highway Safety Ordinance 2000, "Axle Overload Control Regime" is to be strictly implemented by the NH&amp;MP.</p>	<p>The Ministry of Communications or NH&amp;MP should be consulted to ascertain requirements for any further regulatory measures.</p>
<b>Other Facilitation Measures</b>		
<p><b>Simplification of Border Crossing Formalities</b></p> <p>The Contracting Parties shall facilitate the border crossing formalities for international transport operations via simplification of border crossing procedures (e.g., advance and inland clearance coordination of border clearance and one stop and/or single window clearance procedures).</p>	<p>To reduce customs procedures, Pakistan Customs authorities have launched the Web-Based One Customs (WEBOC), an automated clearance system. This system is used for inland transshipment to dry ports within Pakistan and for transit trade under APTTA.</p> <p>According to the World Bank, the number of documents required by Pakistan for across the border trade with respect to imports and exports has been reduced from 9 (in 2011) to 8 (in</p>	<p>The USAID Trade Project is conducting a gap analysis of Pakistan Customs' laws and regulations vis-à-vis the provisions of the World Customs Organization's (WCO) Revised Kyoto Convention (RKC).</p> <p>Implementation of key findings of this study is recommended.</p>

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
	2013). <sup>17</sup>	
<b>Harmonization of Commodity Description and Coding (customs tariff and nomenclature)</b> The Contracting Parties harmonize the customs tariff and nomenclature with respect to the International Convention on the Harmonized Commodity Description & Coding System (Brussels June 14, 1983 and the HS Convention System of June 24, 1986) and adapt HS amendments made by WCOC under Article 8 of the HS Convention.	Pakistan is implementing the HS system for classification of goods under Pakistan's Customs Tariff.	At present Pakistan is implementing the HS 2012 version. No gaps have been identified in Pakistan's domestic regulation with respect to implementation of the HS system.
<b>Harmonization of Cargo Valuation System</b> The Contracting Parties shall apply the Agreement on Implementation of Article VII of the WTO, General Agreement on Tariff and Trade (GATT) 1994.	Pakistan is a signatory of the WTO and is required to abide by its GATT, but in practice its valuation department has fixed minimum values for several items.	At present, Pakistan Customs is computing the value of transit goods to calculate the amount of transit security required for the transit consignments. In some instances Pakistan Customs has deviated from the valuation method provided under GATT. It is important that Pakistan abide by the provisions of the GATT code of valuation.
<b>Harmonization of Document Layout</b> The Contracting Party shall endeavour to further the use of documents relevant for border crossing formalities, aligned to the international standards and practices (e.g., for goods: the United Nations Layout Key)	Pakistan has pursued simplification and alignment of trade and transport documents on the basis of the UN Layout Key including documents <sup>18</sup> designed for use in: <ul style="list-style-type: none"> <li>• Computer and other automated systems with the aim of adopting a single window process for all trade transactions</li> <li>• A model commercial invoice (i.e., certificate of origin based on the UN Layout Key)</li> <li>• Phyto-sanitary Certificate based on the UN Layout Key</li> <li>• UN Layout Key introduced for commercial invoicing</li> </ul>	Pakistan Customs has fully harmonized the documentation required for import, export, and transit as per the UN Layout Key; however, other government agencies such as port authorities and agriculture and quarantine departments have not yet adopted the UN Layout Key.
<b>Electronic Data Interchange</b> If available, Contracting Parties use Electronic Data	The USAID Trade Project is providing assistance to the FBR	Expeditious implementation of EDI is

<sup>17</sup> World Bank Ease of Doing Business Reports

<sup>18</sup> NTTFC. 2012. "Pakistan's National Trade Facilitation Strategy"-Draft Report. <http://www.nttfc.org/reports/Pakistan%20TF%20Strategy%20Rev%202012%20v3.1.pdf>

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
Interchange (EDI) means of communication and follow preliminary clearance and post entry audit of cross border movement.	<p>on EDI. The Customs Administrations of Afghanistan and Pakistan are working towards the implementation of an EDI system. According to the Pakistan Revenue Automation Limited (PRAL), EDI messaging is still in the testing phase; issues are pending with the Afghanistan Customs Department.<sup>19</sup></p> <p>The introduction of EDI will enable real-time exchange of data between the two countries, reduce processing delays in goods clearance, curtail unauthorized trade practices, and lower the cost of transit trade for both countries.</p>	recommended.
<b>Single Window</b>	Pakistan has implemented a "Paperless Customs" system – WeBOC - at its Karachi/Qasim Port, and is in the process of extending the system to the Torkham and Wagah BCPs. The WeBOC automated system is planned to be rolled out to the entire network of customs stations throughout the country.	The USAID Trade Project continues to provide support to the Government of Pakistan in developing a Roadmap for National Single Window (NSW) implementation at its customs border posts.
<b>Risk Management Techniques</b> The Contracting Parties will apply risk management techniques in border crossing clearance procedures.	<p>As per the Pakistan Customs Act 2001, the Pakistan Automated Customs Clearance System (PACCS) is responsible for ensuring risk management. This system has since been discontinued and replaced by WeBOC, which has yet to be incorporated into a Compliance Risk Management module.</p> <p>Article 25 (a) of Annex 9 of CBTA and Article 21 (4) of APTTA provides for a "risk management system" under which the contracting parties will apply risk management techniques in border crossing clearance procedures with respect to the Revised Kyoto Convention, 1999. APTTA authorises 5% of the transit consignments to be inspected by the Contracting Parties.</p> <p>Article 603 of the Custom Rules 2001 states that up to 5% of containers should be selected for examination, and all those</p>	<p>The CBTA exempts transit consignments from customs inspections and escorts under TIR Carnet. Pakistan would be required to develop consensus among stakeholders, especially the security agencies who increasingly view transit trade as a security threat, to exempt transit consignments from inspections.</p> <p>The USAID Trade Project in collaboration with Customs House Karachi provided the GoP with a gap analysis of Pakistan Customs' Compliance to Risk Management techniques. The gap analysis focused on four elements of the risk management framework in Pakistan, namely the legislative base, client services, Customs' compliance assessment activities, and the enforcement/recognition of compliance/non-</p>

<sup>19</sup> Customs Today Report. 2013. "Pakistan Customs Launching WEBOC to deal with Afghan Transit Trade". <http://customstoday.com.pk/pakistan-customs-launching-weboc-to-deal-with-afghan-transit-trade/>

CBTA Substantive Provisions	Pakistan's Existing Situation	Gaps and Recommended Actions
	selected should be examined under the Risk Management System.	compliance to international standards.  Implementation of the recommendations outlined in the gap analysis conducted by the Trade Project is advised.
<b>Synchronization of Border Crossing Posts Operating Hours</b> <ul style="list-style-type: none"> <li>a) The Contracting Parties shall coordinate the operating hours of their border crossing posts as defined in Annex 2 of the agreement.</li> <li>b) Also, authorities will be available 24 hours a day, seven days a week, either through permanent staffing or by opening on request when a notice has been sent in advance, so as to assure border clearance outside normal business working hours.</li> </ul>	At present, the land border stations at Torkham and Chaman are operational from 9:00 am to 5:00 pm. The border is closed after sunset due to the prevailing security situation.	Pakistan and Afghanistan are currently in discussions to extend the border timing at Torkham and Chaman land border stations. The extension in work hours would considerably facilitate transit and bi-lateral trade.
<b>Infrastructure</b>		
<b>Construction of Road and Bridges</b> Road and bridge construction in accordance with the precept of Annex II of the Intergovernmental Agreement on the Asian Highway Network (IGA), 2003.	Pakistan ratified to the Intergovernmental Agreement on the Asian Highway Network on 19 October 2005. <sup>20</sup> The total road network covered under this agreement is approximately 140,000 km. Pakistan is also compliant to the road construction plan required under this agreement.	Review of Pakistan's compliance to IGA is recommended.

<sup>20</sup> UNESCAP. 2013. "Status of Implementation of Intergovernmental Agreement on the Asian Highway Network", 5<sup>th</sup> Meeting of UNESCAP working group on the Asian Highway. Pg.5. <http://www.unescap.org/sites/default/files/AHWG5-1E.pdf>

## **Annexure – 1: Conventions in CBTA**

### **Customs Convention on Containers**

The Customs Convention on Containers was signed in Geneva on December 2, 1972. The Convention provides a legal framework for temporary admission of containers – whether loaded with goods or not – among the Contracting Parties. Under the Agreement, containers granted temporary admissions are required to be re-exported within three months from the date of importation. The text of the Convention provides detailed guidelines on the marking of containers, temporary admission of containers, conditions requisite for use of containers in internal traffic, regulations on technical conditions applicable to containers - which may be accepted for international transport under customs seal - and technical conditions necessary for containers.<sup>21</sup>

### **Convention on Road Traffic**

The Convention on Road Traffic was signed in Vienna on November 8, 1968. The Convention pertains to facilitating international road traffic and improving road safety through adoption of uniform traffic rules. The Convention lays down the rules of the road and obligates the Contracting Parties to take appropriate measures to ensure that the rules of the road in force in their territories are in accordance with the rules stipulated in the Convention. The rules of the road provide detailed provisions that need to be followed including status of signs and signals, position of carriageway, overtaking and movement of traffic in lines, speed and distance of vehicles, change of direction and loading of vehicles, etc. The Convention also lays down conditions for drivers of motor vehicles and for admission of motor vehicles and trailers to International traffic.<sup>22</sup>

### **Convention on Road Signs and Signals**

The Convention on Road Signs and Signals was signed in Vienna on November 8, 1968. The Convention provides guidelines on the system of road signs, signals and symbols and road markings that need to be adopted by the Contracting Parties. The Agreement obligates the Contracting Parties to replace or supplement – within four years from the date of entry into force of this Convention in their territories - any sign or symbol that is used with a different meaning from that assigned to it in the Convention. Similarly, Contracting Parties need to replace any sign or symbol that does not conform to the system prescribed in the Convention within fifteen years from the date of entry into force of this Convention in their territories. The system prescribed in the Convention differentiates between danger warning signs, regulatory signs, and informative signs, and stipulates provisions that address the regulations with respect to these signs.<sup>23</sup>

### **Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage (ATP)**

The Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage (ATP) was signed in Geneva on September 1, 1970, and entered into force on November 21, 1976. The Agreement provides a framework for improving the conditions of preservation of perishable foodstuffs during carriage. The Agreement specifies that for carriage of perishable goods, the equipment specified in the Agreement shall be used. The Agreement defines the special equipment for carriage of perishable goods – insulated equipment, refrigerated equipment, mechanically refrigerated equipment, and heated equipment - and provides the requisite standards needed to be met with respect to them. Under the Agreement the Contracting Parties agree to

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<sup>21</sup> UN Economic Commission for Europe/IMO.1972. "Customs Convention on Containers 1972" legal text. [http://www.unece.org/fileadmin/DAM/trans/conventn/ccc\\_1972e.pdf](http://www.unece.org/fileadmin/DAM/trans/conventn/ccc_1972e.pdf)

<sup>22</sup> UN Economic Commission for Europe/Inland Transport Committee. 1968. "Convention on Road Traffic" legal text. <http://www.unece.org/fileadmin/DAM/trans/conventn/crt1968e.pdf>

<sup>23</sup> UN Economic Commission for Europe/Inland Transport Committee. 1968. "Convention on Road Signs & Signals" legal text. <http://www.unece.org/fileadmin/DAM/trans/conventn/signalse.pdf>

recognize the validity of certificates of compliance issued in conformity to the rules established in the Convention by the other Contracting Party.<sup>24</sup>

### **Convention on the Contract for the International Carriage of Goods by Road (CMR)**

The Convention on the Contract for the International Carriage of Goods by Road was signed in Geneva on May 19, 1956. The Convention aims to standardize conditions governing the contract for the international carriage of goods by road, especially with respect to the documents used for such carriage. The contract for carriage is confirmed by completing a consignment note which is made out in three original copies signed by the sender and by the carrier.<sup>25</sup>

### **Customs Convention on the Temporary Importation of Commercial Road Vehicles**

The Customs Convention on the Temporary Importation of Commercial Road Vehicles was signed in Geneva on May 18, 1956. The convention grants permission for temporary admission of vehicles without payment of import duties and taxes. This admission is subject to re-exportation and other conditions laid out in the Convention. The admission is also subject to presentation of temporary importation papers issued by authorized associations of the Contracting Party. The Convention provides regulations for temporary importation papers including the particulars that need to be on the temporary importation papers and the regularization of temporary importation papers. The Convention also provides a standard format for temporary importation papers; however, each Contracting Party may upon request provide temporary importation papers, other than those appearing in the annexes to this Convention.<sup>26</sup>

### **Customs Convention on the International Transport of Goods under Cover of TIR Carnets**

The Customs Convention on the International Transport of Goods under Cover of TIR Carnets was signed in Geneva on November 14, 1975. The TIR Convention facilitates the international carriage of goods by road vehicle. The Convention covers the transport of goods, in road vehicles, across one or more frontiers between customs office of departure of one Contracting Party and a customs office of destination of another or the same Contracting Party. Goods carried under TIR procedure are not subject to payment or deposit of import or export duties at customs offices en route. The Convention also instructs that goods carried under the TIR procedure should be in sealed containers meeting specified conditions and should not be subject to examination at offices en route.<sup>27</sup>

### **International Convention On Harmonized Commodity and Coding System 1986**

The International Convention on Harmonized Commodity and Coding System was signed in Brussels on June 14, 1983, and amended by the Protocol of Amendment to the International Convention on the Harmonized Commodity Description and Coding System on June 24, 1986. The Contracting Parties undertake to have their customs tariff and statistical nomenclatures in conformity with the Harmonized System and use all headings and subheadings of the Harmonized System without addition or modification, together with their related numerical codes. The Convention also instructs each

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<sup>24</sup> UNECE. 2011. "Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be used for such Carriage (ATP)".

[http://www.unece.org/fileadmin/DAM/trans/main/wp11/wp11fdoc/ATP-2011\\_final\\_e.pdf](http://www.unece.org/fileadmin/DAM/trans/main/wp11/wp11fdoc/ATP-2011_final_e.pdf)

<sup>25</sup> UN. 1956. Convention on the Contract for the International Carriage of Goods by Road (CMR)" legal text.

[http://www.unece.org/fileadmin/DAM/trans/conventn/cmr\\_e.pdf](http://www.unece.org/fileadmin/DAM/trans/conventn/cmr_e.pdf)

<sup>26</sup> UN Economic Commission for Europe/Inland Transport Committee. 1992. "Customs Convention on the Temporary Importation of Commercial Road Vehicles" legal text.

<http://www.unece.org/fileadmin/DAM/trans/conventn/impcom-e.pdf>

<sup>27</sup> UN Treaties. 1975. "TIR Convention". [https://treaties.un.org/doc/Treaties/1978/03/19780320%2006-52%20AM/Ch\\_XI\\_A\\_16p.pdf](https://treaties.un.org/doc/Treaties/1978/03/19780320%2006-52%20AM/Ch_XI_A_16p.pdf)

Contracting Party to make publically available its import and export trade statistics in conformity with the six-digit codes of the Harmonized System and requires that the Contracting Parties enforce the full six-digit Harmonized System within five years of the date on which this Convention enters into force in respect to it.<sup>28</sup>

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<sup>28</sup> World Customs Organization (WCO). 2012. "International Convention on Harmonized System" legal-text. [http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools/hs\\_convention.aspx](http://www.wcoomd.org/en/topics/nomenclature/instrument-and-tools/hs_convention.aspx)